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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000158

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SUBJECT: SHANGHAI THINK TANK ON CROSS-STRAITS RELATIONS

REF: SHANGHAI 110

CLASSIFIED BY: Simon Schuchat , Deputy Principal Officer, ,  
U.S. Consulate Shanghai.  
REASON: 1.4 (b), (d)

¶1. (C) Summary. During a March 21 lunch with DPO, Pol/Econ Chief and Poloff, Shanghai Institute for East Asian Studies (SIEAS) Director Zhang Nianchi said Taiwan President Chen Shui-bian now frequently crossed the Mainland's "red lines" without penalty, making cross-strait relations more dangerous. The so-called "status quo" had eroded seriously over the last few years. The Mainland should not over-react to Chen's statements, it was also important for both it and the USG to respond appropriately when warranted. Meanwhile, Chen's statements helped the PLA to increase its budget. Zhang expected that an academic paper he would publish in early April would spark debate by detailing the cumulative results of the last 20 years of cross-strait relations. Zhang expected cross-strait relations to be difficult through 2008, but positive long-term. Ties were strengthening, both economically and politically, at a high level between the Mainland and Taiwan. There was no real successor for either Wang Daohan or Koo Chen-fu, but neither was one needed. SIEAS had edited three books of Wang Daohan's works, the latest of which was published in Hong Kong in February. Zhang lamented SIEAS' lack of contact with U.S. Taiwan scholars, but didn't appear to be taking any steps to reach out. End Summary.

¶2. (C) DPO hosted a lunch for SIEAS Director Zhang Nianchi on March 21 to discuss recent cross-Straits development. SIEAS Deputy Director Hu Lingwei, SIEAS Department for Cross-Straits Relationship Director Chen Yinghua, Pol/Econ Chief and Poloff also attended the lunch. Zhang was the assistant of recently deceased cross-Straits guru Wang Daohan and a prominent Shanghai Taiwan expert in his own right. See Reftel for a February discussion on Taiwan with SIEAS.

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Not Reacting Condone Chen's Actions  
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¶3. (C) Zhang was very concerned about the state of cross-Straits relations. According to Zhang, Chen Shui-bian appeared to have crossed several of Mainland China's red lines without penalty. He alluded to Chen's recent "4 Wants, 1 No" statements, as well as calls for referenda and 2006

announcements to "abolish" the National Unification Council and the National Unification Guidelines, and the name changes of Taiwan entities, particularly its postal system. Although, it was clear that Chen was pushing this agenda for his own reasons and did not have strong support among the Taiwan people, the cumulated effect of these actions had eroded the "status quo" and created a dangerous environment for cross-strait relations.

14. (C) While it was important for Beijing not to overreact to Chen's statements as it had in the past, thus helping his cause, the recent muted or lack of response by Beijing and Washington seemed to condone Chen's actions. Perhaps, opined Zhang, the Mainland should stop trying to treat Taiwan as a brother and instead act more like a parent. Zhang expected to spark debate on the issue with a paper to be published in early April documenting the effects of the last 20 years of cross-strait relations. He acknowledged that Chen's statements also had the result of providing justification for an increase in China's defense budget.

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Bright Spots?  
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15. (C) Turning to the future of cross-strait relations, Zhang was far less gloomy. The economic relationship continued to be a bright spot in cross-Straits relations. There had been great progress on the three-direct links issue; in reality, there were already direct transportation links between Taiwan and the Mainland. (Comment: Zhang appeared to be referencing the periodic cross-Straits charter flights. End comment.) There continued to be a large number of Taiwan businesses and investors in the Mainland. In addition, the Mainland's economic influence on Taiwan has grown significantly a growing mainland economic presence on the island. This economic relationship would have a positive effect on the overall relationship. Zhang

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said while he was pessimistic about the near term, he believed that issues would be resolved in the long term as the economic relationship grew and both sides become more integrated.

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No Wang Daohan Successor Available or Needed  
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16. (C) When asked whether there was anyone on the Mainland who would take up Wang Daohan's role in facilitating an unofficial cross-strait dialogue, Zhang said there was no one who could replace either the Mainland's Wang or Taiwan's Koo Chen-fu. Furthermore, there was no need to replace them. High-level officials were now directly engaged on Taiwan issues. For example, President Hu Jintao had met with former KMT Chairman Lian Zhan during his visit to China. Preparations were underway now for LY Speaker Wang Jing-pyng's April visit to Beijing and Hu Jintao would probably also be involved. On lower levels, business associations and technical agencies such as airlines were in direct contact. Zhang noted that SIEAS had recently edited and published three books containing collected works on Wang Daohan, the most recent published in Hong Kong in February. (Tongji University Professor Peng Yun-O (aka Frank Peng) was also working on memoirs of Wang, although his perspective dealt more with domestic economic issues.)

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SIEAS Remains Cut Off From Many U.S. Taiwan Scholars  
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17. (C) Although SIEAS appears to have close ties with academics in Taiwan, Hong Kong and Japan, Zhang said it no longer had the regular contact it once did with U.S. Taiwan scholars. Zhang had no plans to travel to the United States and didn't seem to encourage travel there by Hu or Chen. He said previously SIEAS had met with many U.S. scholars referred by the Shanghai Institute of International Studies (SIIS), but that had fallen off in recent years. He hoped that the expected departure of

SIIS President Yu Xintian would change this situation. Zhang, who said he was three years from the mandatory retirement age of an academic of 65, appeared to maintain tight control over his institute; he did not provide any opportunity for his colleagues to participate in the discussion.

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